



JOHN CHIANG
California State Controller

February 5, 2014

Kevin D. Holt, Ed.D., Superintendent
San Marcos Unified School District
255 Pico Avenue, Suite 250
San Marcos, CA 92069

Dear Dr. Holt:

The State Controller's Office reviewed the costs claimed by the San Marcos Unified School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, through June 30, 2004. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to ensuring that the California Department of Education's STAR Program apportionment was properly offset.

The district claimed \$1,334,807 for the mandated program. Our review found that \$1,147,260 is allowable and \$187,547 is unallowable. The costs are unallowable because the district did not report any offsetting reimbursements, as described in the attached Summary of Program Costs and the Finding and Recommendation.

We informed David McAdams, Executive Director of Finance, of the review finding via email on January 17, 2014. Mr. McAdams responded by email on January 22, 2014 agreeing with the adjustment.

For the fiscal year (FY) 1997-98 claim, the State made no payment to the district. Our review found that \$118,258 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 1998-99 claim, the State paid the district \$35,738 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$132,202 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$96,464, contingent upon available appropriations.

For the FY 1999-2000 claim, the State paid the district \$182,369 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$168,483 is allowable. The State will apply \$13,886 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2000-01 claim, the State paid the district \$210,639 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$194,693 is allowable. The State will apply \$15,946 against any balances of unpaid mandated-program claims due the district as of October 19, 2010.

For the FY 2001-02 claim, the State made no payment to the district. Our review found that \$210,478 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our review found that \$233,195 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our review found that \$89,951 is allowable. The State will pay that amount, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

Attachments

RE: S13-MCC-902

cc: Gary Hamels, Assistant Superintendent of Business Services

San Marcos Unified School District

David McAdams, Executive Director of Finance

San Marcos Unified School District

Brent Watson, Executive Director

Business Advisory Services

San Diego County Office of Education

Peter Foggato, Director

School Fiscal Services Division

California Department of Education

Carol Bingham, Senior Fiscal Policy Advisor

Government Affairs Division

California Department of Education

Thomas Todd, Assistant Program Budget Manager

Education Systems Unit, California Department of Finance

Jay Lal, Manager

Division of Accounting and Reporting

State Controller's Office

Attachment 1— Summary of Program Costs July 1, 1997, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 14,197	\$ 14,197	\$ —
Test materials, supplies, and equipment	261	261	—
Pre-test and post-test coordination	89,928	89,928	—
Reporting and recordkeeping	61,164	61,164	—
Total direct costs	165,550	165,550	—
Indirect costs	8,277	8,277	—
Total direct and indirect costs	173,827	173,827	—
Less offsetting reimbursements	—	(55,569)	(55,569)
Total program costs	<u>\$ 173,827</u>	118,258	<u>\$ (55,569)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 118,258</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 15,089	\$ 15,089	\$ —
Test materials, supplies, and equipment	267	267	—
Pre-test and post-test coordination	94,037	94,037	—
Reporting and recordkeeping	63,959	63,959	—
Total direct costs	173,352	173,352	—
Indirect costs	8,668	8,668	—
Total direct and indirect costs	182,020	182,020	—
Less offsetting reimbursements	—	(49,818)	(49,818)
Total program costs	<u>\$ 182,020</u>	132,202	<u>\$ (49,818)</u>
Less amount paid by the State ²		(35,738)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 96,464</u>	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 15,140	\$ 15,140	\$ —
Test materials, supplies, and equipment	274	274	—
Pre-test and post-test coordination	94,238	94,238	—
Reporting and recordkeeping	64,033	64,033	—
Total direct costs	173,685	173,685	—
Indirect costs	8,684	8,684	—

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000 (continued)</u>			
Total direct and indirect costs	182,369	182,369	—
Less offsetting reimbursements	—	(13,886)	(13,886)
Total program costs	<u>\$ 182,369</u>	168,483	<u>\$ (13,886)</u>
Less amount paid by the State ²		(182,369)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (13,886)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 17,640	\$ 17,640	\$ —
Test materials, supplies, and equipment	281	281	—
Pre-test and post-test coordination	110,010	110,010	—
Reporting and recordkeeping	74,821	74,821	—
Total direct costs	202,752	202,752	—
Indirect costs	7,887	7,887	—
Total direct and indirect costs	210,639	210,639	—
Less offsetting reimbursements	—	(15,946)	(15,946)
Total program costs	<u>\$ 210,639</u>	194,693	<u>\$ (15,946)</u>
Less amount paid by the State ²		(210,639)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (15,946)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 17,640	\$ 17,640	\$ —
Test materials, supplies, and equipment	281	281	—
Pre-test and post-test coordination	121,166	121,166	—
Reporting and recordkeeping	82,557	82,557	—
Total direct costs	221,644	221,644	—
Indirect costs	6,094	6,094	—
Total direct and indirect costs	227,738	227,738	—
Less offsetting reimbursements	—	(17,260)	(17,260)
Total program costs	<u>\$ 227,738</u>	210,478	<u>\$ (17,260)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 210,478</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 75,552	\$ 75,552	\$ —
Test materials, supplies, and equipment	778	778	—
Pre-test and post-test coordination	69,535	69,535	—
Test administration	22,142	22,142	—
Reporting and recordkeeping	41,204	41,204	—
Total salaries and benefits	209,211	209,211	—
Materials and supplies:			
Test materials, supplies, and equipment	33,402	33,402	—
Total materials and supplies	33,402	33,402	—
Total direct costs	242,613	242,613	—
Indirect costs	7,786	7,786	—
Total direct and indirect costs	250,399	250,399	—
Less offsetting reimbursements	—	(17,204)	(17,204)
Total program costs	<u>\$ 250,399</u>	233,195	<u>\$ (17,204)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 233,195</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 1,090	\$ 1,090	\$ —
Test materials, supplies, and equipment	1,178	1,178	—
Pre-test and post-test coordination	50,313	50,313	—
Test administration	894	894	—
Reporting and recordkeeping	49,722	49,722	—
Total salaries and benefits	103,197	103,197	—
Materials and supplies:			
Training, policies, and procedures	25	25	—
Total materials and supplies	25	25	—
Total direct costs	103,222	103,222	—
Indirect costs	4,593	4,593	—
Total direct and indirect costs	107,815	107,815	—
Less offsetting reimbursements	—	(17,864)	(17,864)
Total program costs	<u>\$ 107,815</u>	89,951	<u>\$ (17,864)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 89,951</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 1997, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 156,348	\$ 156,348	\$ —
Test materials, supplies, and equipment	3,320	3,320	—
Pretest and post-test coordination	629,227	629,227	—
Test administration	23,036	23,036	—
Reporting and recordkeeping	437,460	437,460	—
Total salaries and benefits	1,249,391	1,249,391	—
Materials and supplies:			
Training, policies, and procedures	25	25	—
Test materials, supplies, and equipment	33,402	33,402	—
Total materials and supplies	33,427	33,427	—
Total direct costs	1,282,818	1,282,818	—
Indirect costs	51,989	51,989	—
Total direct and indirect costs	1,334,807	1,334,807	—
Less offsetting reimbursements	—	(187,547)	(187,547)
Total program costs	<u>\$ 1,334,807</u>	1,147,260	<u>\$ (187,547)</u>
Less amount paid by the State		(428,746)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 718,514</u>	

¹ See Attachment 2, Finding and Recommendation.

² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

Attachment 2— Finding and Recommendation July 1, 1997, through June 30, 2004

**FINDING—
Unreported offsetting
reimbursements**

The district did not report offsetting reimbursements totaling \$187,547, because it did not report any of the Standardized Testing and Reporting (STAR) Program apportionments received from the California Department of Education (CDE) for the review period.

On August 24, 2000, the Commission on State Mandates (CSM) adopted the statement of decision for the STAR Program. The CSM determined that Chapter 828, Statutes of 1997, and the implementing regulations at Title 5, *California Code of Regulations*, sections 850 through 904, imposed a state mandate upon school districts reimbursable under Government Code section 17561, commencing October 10, 1997.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

On reconsideration under Statutes of 2004, Chapter 216, section 34; and Statutes of 2004, Chapter 895, section 19, the CSM found that effective July 1, 2004, many of the reimbursable activities were either federally mandated or no longer required, and thus were not reimbursable. Accordingly, the CSM deleted references to the non-reimbursable activities and renamed the program the "National Norm-Referenced Achievement Test" effective July 1, 2004. This latter program has been suspended since September 30, 2008.

The parameters and guidelines for the STAR Program (section VII. Offsetting Savings and Reimbursements) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, services fees collected, federal funds and other state funds shall be identified and deducted from the claim.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer the tests within the STAR Program. For the review period, we determined that the district received \$252,164 from the CDE.

We determined the amount that should have been offset by multiplying the total CDE apportionment by the reimbursable mandate percentages, which are based on test results published on the CDE STAR website. The district administered the following STAR tests during the review period: California Standards Test (CST); Stanford Achievement Test, Ninth Edition (SAT-9); California Achievement Test, Sixth Edition Survey (CAT/6); Spanish Assessment of Basic Education, Second Edition (SABE/2); and the California Alternate Performance Assessment (CAPA). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

Based on the CDE's published test results, the reimbursable mandate percentages are as follows: 100% for fiscal year (FY) 1997-98, 70.81% for FY 1998-99, 70.15% for FY 1999-2000, 64.73% for FY 2000-01, 65.77% for FY 2001-02, 64.26% for FY 2002-03, and 62.04% for FY 2003-04.

The following table summarizes the unreported offsetting reimbursement calculation for the review period:

	Fiscal Year							
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
STAR Program Apportionments:								
CDE apportionment	\$ (55,569)	\$ (70,354)	\$ (19,795)	\$ (24,635)	\$ (26,243)	\$ (26,773)	\$ (28,795)	\$ (252,164)
Mandate-related percentage	x 100%	x 70.81%	x 70.15%	x 64.73%	x 65.77%	x 64.26%	x 62.04%	
Mandate-related apportionment	(55,569)	(49,818)	(13,886)	(15,946)	(17,260)	(17,204)	(17,864)	(187,547)
Less offset CDE apportionment	-	-	-	-	-	-	-	-
Review adjustment	<u>\$ (55,569)</u>	<u>\$ (49,818)</u>	<u>\$ (13,886)</u>	<u>\$ (15,946)</u>	<u>\$ (17,260)</u>	<u>\$ (17,204)</u>	<u>\$ (17,864)</u>	<u>\$ (187,547)</u>

Recommendation

We recommend that the district ensure that all applicable reimbursements are offset against mandated program costs.